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In The

Supreme Court of the United States

October Term, 1989

JAMES STEWART, PATRICIA HITCHCOCK O'CONNELL and SAMUEL TAYLOR both as co-trustees of the Second Residuary Trust of the Last Will of ALFRED H. HITCHCOCK, MCA INC., and UNIVERSAL FILM EXCHANGES, INC.,

Petitioners,

vs.

SHELDON ABEND, dba
AUTHORS RESEARCH COMPANY,

Respondent.

BRIEF FOR THE RESPONDENT

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COUNTER-STATEMENT

OF

QUESTIONS PRESENTED

This case involves the interpretation of the Copyright Act of 1976, and concerns Congress' decision to preserve the renewal scheme of the Copyright Act of 1909 as to works prepared prior to the effective date of the 1976 Act. The questions are:

1. Whether this Court should interpret the 1976 Act according to its plain meaning and Congress' clear decision to ratify the interpretation given to the renewal scheme by the Courts, the Register of Copyrights, and the affected groups, or instead intervene to prevent owners of derivative works from paying over to the owners of literary works that portion of the profits attributable to the unauthorized use of those literary works during the renewal term of their copyrights?

2. Whether this Court should apply to works created before 1978, a provision of the 1976 Act which Congress carefully made inapplicable to works created before 1978, and thereby upset in one group's favor the balance of compromises which Congress enacted with the endorsement of the affected groups?

3. Whether the 1976 Act's provisions giving effect to Congress' decision to preserve the existing balance of rights as to pre-1978 works, should be defeated by expanding the fair use defense beyond its statutory limitations to provide motion picture producers with free licenses to commercially exploit fictional literary works protected by valid renewal copyrights, directly interfering and in competition with the rights of the owners of the literary works to authorize new versions?

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In The

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JAMES STEWART, PATRICIA HITCHCOCK O'CONNELL and SAMUEL TAYLOR both as co-trustees of the Second Residuary Trust of the Last Will of ALFRED H. HITCHCOCK, MCA INC., and UNIVERSAL FILM EXCHANGES, INC.,

Petitioners,

vs.

SHELDON ABEND, dba AUTHORS RESEARCH COMPANY,

Respondent.

BRIEF FOR THE RESPONDENT

STATEMENT OF THE CASE

This is a case of statutory construction. The Court's task is made simple by Congress' *verbatim* re-enactment of prior statutory provisions in order to ratify and preserve the interpretations given those provisions by the Courts, the Register of Copyrights and the affected groups.

1. The Copyright Act of 1909.

(a) The Two-Term System of Copyright.

Our Copyright Acts have long given authors and statutorily designated persons the right to a renewal

copyright upon the expiration of the author's original copyright. Initially, the renewal was seen as a mere continuation of the first term, since renewal could be claimed by the author or his executors, administrators or assigns.[1] In 1831, Congress deleted the author's assigns from the class of renewal claimants and included the author's surviving spouse and children if he does not survive to renew.[2] This change was immediately interpreted as making the renewal copyright a "new interest," separate from the initial term. *Pierpont v. Fowle*, 19 F. Cas. 652, 660 (C.C.D.Mass. 1846) (No. 11, 152). Although the author could assign his "contingent interest" in the renewal copyright, his assignment could not "dispose" of the renewal interest of his widow or children. G.T. Curtis, *The Law of Copyright* 235 (1847). The renewal provisions reflected "an entirely new policy, completely dissevering the title, breaking up the continuance . . . and vesting an absolutely new title *eo nomine* in the persons designated," in order to give the author or his statutory successor a second chance to control the author's work. *White-Smith Music Publishing Co. v. Goff*, 187 F. 247, 250, 252-53 (1st Cir. 1911).

The Copyright Act of 1909 preserved the two term system of copyright because "[i]t not infrequently happens that the author sells his copyright outright to a publisher for a comparatively small sum." H.R. Rep. No. 60-2222, 60th Cong., 2d Sess., p.14 (1909). The renewal copyright allows authors or their successors a second opportunity to control the work free of contracts made when the author was "in a poor bargaining position" because copyrighted material, "unlike real property and other forms of personal property, is by its very nature incapable of accurate monetary evaluation prior to its exploitation." 2 M. & D. Nimmer, *Nimmer on Copyright*,

[1]

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[1] Copyright Act of May 31, 1790, ch. XV, 1 Stat. 124.

[2] Copyright Act of February 3, 1831, ch. XVI, 4 Stat. 436.

§ 9.02 at 9-23 to 9-24 (hereinafter "___ *Nimmer on Copyright* ___").[3] The renewal copyright also provided protection to the author's family, estate or next of kin, by acting as a "compulsory bequest of the copyright" to the designated statutory successors. *De Sylva v. Ballentine*, 351 U.S. 570, 582 (1956) ("*De Sylva*").

Although an author could, as a matter of contract law, alienate his contingent right to claim the renewal copyright which he might live to obtain, *Fred Fisher Music Co. v. M. Witmark & Sons*, 318 U.S. 643 (1943) ("*Fred Fisher*"), it was universally acknowledged that an author could not convey the renewal expectancies of his statutory successors. The author's surviving spouse, children, executor or next-of-kin took the renewal copyright free and clear of the author's first-term grants; and continued use of the material protected by their independent renewal copyright without their consent constitutes infringement.[4]

It would understate the matter to say these principles were well-established features of the 1909 Act. *Miller Music Corp. v. Charles N. Daniels, Inc.*, 362 U.S. 373 (1960) ("*Miller Music*") [Author's assignment of rights in renewal copyright completely unenforceable as to author's executor who obtained renewal copyright after

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[3] Prior to his death in 1985, Professor Melvin Nimmer was co-counsel for respondent in the action filed in the District Court.

[4] The author's wife or other potential successor could, for separate consideration, also effectively assign their own renewal expectancy, subject to the contingency that they survive the author. S.Spring, *Risks and Rights in Publishing, Television, Radio, Motion Pictures, Advertising and the Theatre* 95 (1956); *Tobani v. Carl Fischer, Inc.*, 263 App. Div. 503, 33 N.Y. Supp.2d 294 (1942), *aff'd per curium*, 289 N.Y. 727, 46 N.E. 2d 347 (1942) [Assignment of wife's expectancy in renewal copyrights in songs for $5,000]. For clarity, respondent will assume in this Brief that the author's successors did not convey their own renewal expectancies.

author's death]; *De Sylva*, 351 U.S. 570, 582 (1956) ["(A)uthor cannot assign his family's renewal rights. . . ."]; *Fred Fisher*, 318 U.S. 643, 651, 655-56 (1943) [Copyright Acts do not prevent author from assigning his "contingent interest in the renewal"]; *M. Witmark & Sons v. Fred Fisher Music Co.*, 125 F.2d 949, 950 (2d Cir. 1942) and at 38 F. Supp. 72, 74 (S.D.N.Y. 1941) [If author had died before obtaining renewal copyright, his agreement to convey rights in renewal copyright would be ineffective]; *Fox Film Corp. v. Knowles*, 261 U.S. 326, 329-30 (1923) [Deceased author's executor claims renewal copyright as statutory successor, not on principle of testamentary succession to existing copyright]; *Rose v. Bourne*, 279 F.2d 79, 80 (2d Cir. 1960), *cert. denied*, 364 U.S. 880; *Carmichael v. Mills Music, Inc.*, 121 F. Supp. 43, 45 (S.D.N.Y. 1954); *Shapiro, Bernstein & Co. v. Bryan*, 123 F.2d 697, 699-700 (2d Cir. 1941); *Fitch v. Shubert*, 20 F. Supp. 314, 315 (S.D.N.Y. 1937).[5]

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[5] *See also* 28 Op. Att'y Gen. 162, 166 (1910) [Only statutorily designated persons may renew, although contract by "author or other persons entitled to the renewal" to assign renewal copyright may be enforceable]; A.W. Weil, *American Copyright Law* 366 (1917); L.H. Amdur, *Copyright Law and Practice* 541, 555 (1936); S.P. Ladas, *The International Protection of Literary and Artistic Property* 772-73 (1938); A.M. Shafter, *Musical Copyright* 177 (2d Ed. 1939) [Widow and children not bound but open question whether executor, as author's representative, bound]; H.A. Howell, *The Copyright Law* 108-09 (1942); H.G. Ball, *The Law of Copyright and Literary Property* 555-56 (1944); S.J. Brown, *Renewal Rights in Copyright*, 28 Cornell L.Q. 460, 470, 472-73 (1943); Z. Chafee, *Reflections on the Law of Copyright: II*, 45 Colum. L. Rev. 719, 722-23, 726 (1945) ["No matter what the author signs, he cannot cut off his widow's right to renew . . . (T)he 1909 Act gives a posthumous veto power to the surviving relatives . . . "]; S. Spring, *Risks and Rights In Publishing, Television, Radio, Motion Pictures, Advertising and the Theatre* 94-95 (2d Ed. 1956); Note, *Copyright Renewal*, 10 Air L. Rev. 198, 198-201 (1941); Note, *Copyright Renewal*

(Continued on following page)

In sum, under the 1909 Act the author could, during the first term of copyright, only assign his expectancy in the renewal term subject to the contingency that he live to renew. If the author did not live to renew, his statutory successor took a new copyright free and clear of the author's grants.

(b) The Principle That a Copyright in a New Version Only Attaches to the Embellishments to an Underlying Work.

Although § 7 of the 1909 Act was the first specific codification of a right to separately copyright new versions of pre-existing works,[6] the Courts have long recognized that copyright protection could be claimed for the original additions or arrangements of existing materials. *See, e.g., Gray v. Russell*, 10 F. Cas. 1035, 1037-38 (C.C.D.Mass. 1839) (No. 5,728); *Emerson v. Davies*, 8 F. Cas. 615, 618-19 (C.C.D.Mass. 1845) (No. 4,436); *Shook v. Rankin*, 21 F. Cas. 1335, 1336 (C.C.N.D.Ill. 1875) (No. 12,804).

The Courts have also uniformly held that the copyright in a new version pursuant to § 7 of the 1909 Act, like the copyright in any pre-existing work, only attaches to the matter which is original with the author of the new

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Rights, 15 S. Cal. L. Rev. 108, 109-10 (1941); Note, *Right of Author to Assign Renewal Interest*, 17 Temp. L. Q. 299, 301 (1943); Note, *Assignment of Author's Renewal Interest*, 18 Ind. L. J. 318, 319 n. 18 (1943).

[6] Section 5 of the Copyright Act of 1891 did provide that "alterations, revisions, and additions made to books of foreign authors could be copyrighted. 26 Stat. 1106, 1108 (1891). Section 4 of the Copyright Act of 1865 provided that the 'books' subject to copyright under the Act of 1831 included 'any second or subsequent edition which shall be published with any additions, ...'" 13 Stat. 540 (1865).

version. *Filmvideo Releasing Corp. v. Hastings*, 668 F.2d 91, 92-93 (2d Cir. 1981) ["Since 1909, the courts of this Circuit have held almost without exception that a derivative copyright is a good copyright only with regard to the original embellishments and additions it has made in the underlying work"], and cases cited therein; *Russell v. Price*, 612 F.2d 1123, 1128 (9th Cir. 1979), *cert. denied*, 446 U.S. 952; *Harris v. Coca-Cola Co.*, 73 F.2d 370, 371-72 (5th Cir. 1934); *Gerlach-Barklow Co. v. Morris & Bendien*, 23 F.2d 159, 161 (2d Cir. 1927); *McCaleb v. Fox Film Corp.*, 299 F. 48, 49 (5th Cir. 1924); *DuPuy v. Post Telegram*, 210 F. 883 (3d Cir. 1914). *See, also*, A.W. Weil, *American Copyright Law* 178 (1917); H.G. Ball, *The Law of Copyright and Literary Property* 105 (1944).

Under § 7 of the 1909 Act, the copyright in the subsisting material survives intact after the material incorporated into a derivative work. *Gilliam v. American Broadcasting Cos.*, 538 F.2d 14, 19-20 (2d Cir. 1976); *G. Ricordi & Co. v. Paramount Pictures, Inc.*, 189 F.2d 469, 471 (2d Cir. 1951), *cert. denied*, 342 U.S. 849; *Grove Press, Inc. v. Greenleaf Publishing Co.*, 247 F. Supp. 518, 524 (E.D.N.Y. 1965); *Shapiro Bernstein & Co. v. Jerry Vogel Music Co.*, 115 F. Supp. 754, 757, 760 (S.D.N.Y. 1953) [Derivative work could not be used after renewal of underlying copyright without consent of renewal claimant], *rev'd on other grounds*, 221 F.2d 569, *modified*, 223 F.2d 252.

A derivative copyright under the 1909 Act therefore attached only to the new matter and did not impinge upon the exclusive rights granted to the underlying copyrighted materials.

(c) The Prevailing View that a Deceased Author's Statutory Successors Own the Exclusive Rights to the Exploitation of their Copyrighted Material Embodied in a Derivative Work.

The operation of the renewal scheme and the respective rights of the owners of renewal copyrights in basic

and in derivative works, have been predictable and certain: One who makes a derivative version of an author's work during the first term of the work's copyright simply bears the risk that the author may die before renewal, and that the author's statutory successor will then have a veto power over continued use of the author's work incorporated in the derivative work during the renewal term.

This conclusion followed directly from the axiom that one may not exploit, copy or otherwise use material protected by a copyright unless either (1) they have a valid license from the owner of the copyright in the material or (2) they own an interest in the copyrighted material. 1 *Nimmer on Copyright*, § 3.07[A] at 3-23 to 3-24. Since an author's contingent grant of rights in the renewal term is ineffective if the author does not live to renew, and since a derivative copyright in, *e.g.*, a motion picture only attaches to the additions to the underlying work, the unauthorized theatrical re-release of a movie version of the literary work in the renewal term constitutes infringement of the statutory successor's renewal copyright.[7]

This was the generally accepted interpretation of the 1909 Act from its inception. An author's agreement that a motion picture version of his work could be distributed in theatres during the renewal term would be rendered "worthless" if the author died before renewal, Frolich & Schwartz, *The Law of Motion Pictures* 549 (1918), and the deceased author's statutory successors "could even proceed against the original grantee as an infringer, if distribution and exhibition of the picture were continued after renewal, ..." R. DeWolf, *An Outline of Copyright Law* 128-29 (1925). *See, also, Shapiro Bernstein & Co.*, 115 F.

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[7] Re-release of an existing print would infringe the exclusive right to perform or exhibit the work, and impinge the right to make new versions. If the re-release involved new copies of the derivative work and, thus, the underlying work, the exclusive right to copy the underlying copyrighted work would also be infringed. *See* below at 15 n.24.

Supp. 754, 760; *Selwyn & Co. v. Veiller*, 43 F. Supp. 491, 493-94 (S.D.N.Y. 1942); *Trust Co. Bank v. MGM/UA Entertainment Co.*, 772 F.2d 740, 742 (11th Cir. 1985), and at 593 F. Supp. 580, 584-85 (N.D.Ga. 1984).

Any doubt that this was the prevailing view of the workings of the renewal scheme in the context of movies is dispelled by the 1955 article by Seymour Bricker, petitioner MCA, Inc's own in-house counsel at the time and a member of the American Bar Association Committee on Copyright Law Revision. S. Bricker, *Renewal and Extension of Copyright*, 29 S. Cal. L. Rev. 23 (1955). In that article, Mr. Bricker stated, without qualification, his and the movie industry's view:

> "If a motion picture company buys from an author all rights in a novel, it may validly copyright the motion picture photoplay in its own name and renew that copyright at the appropriate time. But if the author dies prior to time for renewal of the basic work, the widow may renew this copyright and thus deprive the company of any rights to continue to release the photoplay during the renewal term of the basic work."[8]

29 S. Cal. L. Rev. 23, 43. *Accord, Nimmer on Copyright*, § 45.1, at 177 (1963); 2 *Nimmer on Copyright* § 118 (1976); E. Fulton Brylawski, *Renewal of Copyright in a Magazine Contribution: A Belated View*, 42 Geo. Wash. L. Rev. 737, 737 (1974).

A study prepared for the Register's Office in connection with the general revision of the copyright laws, also interpreted §§ 7 and 24 of the 1909 Act to provide that continued exploitation of a derivative work made with an author's grant of rights in the first and renewal term

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[8] This risk of non-vesting of renewal rights did not prevent the movie studios from making their "massive investments" in movies or incorporating several separately copyrighted works in their films. Brief *amicus* of Columbia Pictures, *et al.*, at 4, 19-20 ("*Am.* St. Br").

would infringe the renewal copyright obtained by the deceased author's statutory successors. Studies Prepared for the Subcomm. on Patents, Trademarks and Copyrights, Comm. on the Judiciary, U.S. Sen., 86 Cong., 1st Sess., Study No. 31, *Renewal of Copyright*, B. A. Ringer (June 1960) at 169-70.[9]

It is therefore beyond dispute that "the prevailing understanding of the 1909 Act was that the owners of renewal rights in a copyrighted work might exercise a veto power over continued performance of a derivative work that had been created under a first-term grant." *Mills Music, Inc. v. Snyder*, 469 U.S. 153, 183 (1985) (White, J., dissenting). The motion picture industry, doing business in the context of these well-established principles, simply accepted the risk that renewal rights might not vest in the author and adjusted the price paid for the author's grant of rights downward to reflect this risk. In those instances where the author did not survive to renew, the motion picture producer negotiated a new license with the author's statutory successors. Since the statutory successor cannot force the movie's owner to distribute the movie, the author's successor has a powerful incentive to provide the film's owner with sufficient profit to agree to distribute the film for their mutual gain.[10] The 1909 Act merely ensured that the author's

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[9] Study No. 31 was one of 32 studies prepared under the supervision of the Register's Office. Although the Register noted that the 32 studies, when issued, did not necessarily reflect the Register's views, Study No. 31's interpretation of this renewal issue went unchalleged and became the framework for all ensuing discussions regarding revision. Moreover, the Study's author became the Register in 1974 and did not change her interpretation. *See* below at 29.

[10] Before *Rohauer*, new licenses with authors' statutory successors allowed continued distribution of such films as "My Fair Lady," "The Sound of Music," "Gone with the Wind," and

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statutory successor would participate in the profits received when a work proved "to be a great success and lives beyond the term of twenty-eight years,. . . ." H.R. Rep. No. 2222, at 14.

2. The Copyright Act of 1976 and Congress' Decision to Preserve the Existing Renewal Scheme as to All Earlier Works.

The 1976 Act is a complete revision of the Copyright laws. The 1976 Act's termination provisions, in particular, were the result of much study and debate, and reflect a compromise approved by the affected groups and the Register of Copyrights and enacted by Congress.

In 1961, the Register proposed that the new Act preserve the concept that an author or his successor would have a second chance to control his work, and that *Fred Fisher* be abrogated by making this second chance inalienable. The Motion Picture Association of America, Inc. (the "MPAA"), a trade organization representing movie producers and distributors,[11] complained loudly. They

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"Doctor Zhivago." Melniker & Melniker, *Termination of Transfers and Licenses Under the New Copyright Law*, 22 N. Y. L. Sch. L. Rev. 589, 612-13, n.118 (1977); *Trust Co. Bank*, 593 F. Supp. 580, 584. *See, also* I. Karp, *From Roth to Rohauer: Twenty Years of Amicus Briefs*, 25 Bull. Copyright Soc'y 1, 16 (1977) ["(T)he motion picture industry for decades has interpreted the renewal clause as requiring a motion picture company to obtain a new license to exhibit a film based on a book or play, when the copyright is renewed by the author's surviving family. And countless such licenses have been granted"].

[11] The MPAA's members include petitioner MCA, Inc. and the studios which have filed a brief *amicus curiae* (the "*amicus* studios"). The Walt Disney Company is the other member of the MPAA but although it joined in the brief *amicus* filed before the Ninth Circuit it has not joined to support petitioners and the studios before this Court.

argued that in our modern "era when authors are represented by associations, guilds, agents, lawyers, tax advisors and investment counsellors"[12] the author no longer needs the renewal rights protection, and that the renewal scheme had been based on "factors that may have existed in the entertainment industry 25, 30 and 50 years ago."[13] On behalf of the movie producers, Seymour Bricker proposed a new derivative works exception to change the law so that motion picture companies could continue to distribute a film created under a first term grant.[14] The MPAA conceded retroactivity of this proposed provision would be improper. Copyright L. Revision, pt. 5, at 307, (Jan. 26, 1965) ["We appreciate that as to subsisting copyrights . . . you have felt that the present renewal system . . . might require preservation"].

After "[w]idespread discussions"[15] exhaustive study by a panel of consultants "composed of representatives of those groups most directly affected,"[16] and much debate, a compromise was reached whereby (1) Congress preserved the renewal scheme as to existing works; and (2) Works created after 1978 would be entitled to a single

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[12] Memo. Stmt., Copyright Comm. of MPAA, on H.R. 4347, before the Comm. on the Judiciary, H. Rep., Subcomm. No. 3, 89th Cong., 1st Sess., at 7 (1965).

[13] Register of Copyrights, Copyright Law Revision, pt. 2, Discussion and Comments on Report on the General Revision of the Copyright Law, 88th Cong., 1st Sess., at 104-105 [Comments of Joseph Dubin on behalf of Universal Pictures] ["Revision, Part 2"], quoted in Melniker & Melniker, 22 N.Y.L. Sch. L. Rev. 589 n.5.

[14] Revision, Part 2, at 265; M.L. Mimms, *Reversion and Derivative Works Under the Copyright Acts of 1909 and 1976*, 22 N.Y.L.Sch. L. Rev. 595, 627-28 (1980); Note, *Rohauer v. Killiam Shows, Inc. and the Derivative Work Exception to the Termination Right*, 52 S. Cal. L. Rev. 635, 645-46 (1979).

[15] Comments of Hon. Emmanuel Celler, 110 Cong. Rec. 16341 (1964).

[16] Comments of Hon. John L. McClellan, 110 Cong. Rec. 16260 (1964).

term of copyright, and authors and their statutory successors would have a right to terminate grants or licenses after 35 years;[17] and (a) An author could not alienate his right of termination, thus prospectively departing from *Fred Fisher;* but (b) The MPAA won a limitation on the scope of the termination provisions to exclude termination of the right to distribute a derivative work.[18] In order to preserve the renewal scheme as to pre-existing works, Congress simply re-enacted § 24 of the 1909 Act as § 304(a) of the 1976 Act. Congress also recodified the rule[19] that the "copyright in a . . . derivative work extends only to the material contributed by the author of such work, . . . " and that the derivative copyright "does not affect or enlarge the scope, duration, ownership, or subsistence of, any copyright protection in the pre-existing material." 17 U.S.C § 103(b).[20]

3. The Facts of this Case.

Cornell Woolrich was an American author who has been credited with creating the "noir" genre of suspense fiction in the 1940's. He was also the author of the story

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[17] The right to terminate earlier grants reflected Congress' continued concern that:

> "A provision of this sort is needed because of the unequal bargaining position of authors, resulting in part from the impossibility of determining a work's value until it has been exploited."

H. R. Rep. No. 94-1476, 94th Cong., 2d Sess. (1976), at 124.

[18] Supp. Rep. of Reg. of Copyrights on Gen. Rev. of U.S. Copyright Law, pt. 6, at 71-72, 76; I. Karp, *Copyright Ownership, Transfer and Termination; Exemption and Fair Use,* 13 Bull. Copyright Soc'y U.S.A. 31, 35-36 (1965).

[19] See above at 5-6.

[20] The derivative work exception to the termination right does not run afoul of § 103 because Congress merely limited the scope of the power to terminate licenses and grants to

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"Rear Window" (the "Story"), which was first published in 1942.[21] In 1945, Cornell Woolrich granted B.G. De Sylva Productions the right to make motion picture versions of six of his stories, including the Rear Window Story, for the flat sum of $9,250, or $1,542 per literary work. The contract also contained a clause that, for no additional consideration, Mr. Woolrich would assign to De Sylva Productions the same movie rights in any renewal copyrights he obtained in the future. De Sylva Productions then transferred the rights it acquired from Mr. Woolrich to George De Sylva and George Cohen, who in turn sold the movie rights to the Rear Window Story, alone, to Orange Productions, Inc., for $10,000, or almost tenfold what Mr. Woolrich received. R. 122 at Exh. 38-41. Orange then assigned the movie rights in the Story to Patron, Inc., for $10,000 plus the right to "deferred compensation" consisting of a share of future revenues from

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exclude termination of the contractual right to continued distribution. That is, a movie can be distributed after termination only because the license to distribute is not within the sweep of the termination right, and not because the derivative copyright in the movie confers some type of property right in the underlying copyrighted material.

[21] The setting, characters, plot, events and theme of Woolrich's Rear Window Story are easily recognized by anyone who has seen the movie version: The entire story is set in the apartment of Hal Jeffries who, confined to his apartment because of a broken leg, takes to observing the lives of his neighbors through his rear window. He begins to suspect that one of his neighbors, Lars Thorwald, has done away with his wife but Jeffries is unable to convince his police detective friend that Thorwald murdered his spouse, who is supposedly out of town. The suspense grows as Jeffries tries to establish Mrs. Thorwald's death by calling and writing Mr. Thorwald to goad him into incriminating himself. Thorwald eventually realizes that Jeffries is his tormentor and attacks Jeffries, all but helpless in his cast, in Jeffries' apartment. Jeffries survives in the suspenseful climax just before his detective friend arrives.

the exploitation of the movie version of the Story. R. 122, Exh. 20.

In 1954, the motion picture version of the Story was produced and distributed by Paramount Pictures.[22] The Rear Window Film depicts Hal Jeffries, confined to his apartment with a broken leg, watching his "rear window neighbors" and becoming convinced that Lars Thorwald had murdered his wife. The all-important setting of the Film and Story are identical, and the Story's characters, theme, plot and crucial sequence of events appear in the Film. In typical Hollywood fashion, the Film creates a "love interest" by adding Jeffries' girlfriend, who nevertheless performs several of the important functions of another character in the Story.[23]

The Film generated at least $7,880,000, or seven times its cost, for petitioners during the first term of the Story's copyright. R. 122, Exh. 28. Despite the substantial portion of the Film which owes its origin to Mr. Woolrich, he did not receive a penny for the Film's use of the Story in the first term of copyright beyond the $9,250 paid for six of his works.

Cornell Woolrich died in 1968, without surviving spouse or child, and the author's executor, Chase Manhattan Bank, timely renewed the copyright in the Story. The Bank subsequently assigned the renewal copyright to respondent in return for $650 plus 10% of all monies generated from the Story.

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[22] Thus, the already well-established and understood risks associated with an author's grants of contingent rights in the renewal term, *see* above at 3-5, 6-9, were no impediment to the making of the Film. *Cf. Am.* St. Br. at 22-23.

[23] In an earlier lawsuit against him, Alfred Hitchcock testified that 20% of the Rear Window Film is derived from the Story, a contribution he obviously had an incentive to minimize. Petitioners attempt to trivialize Mr. Woolrich's contribution by construing Mr. Hitchcock's statement to refer to the use of the Story in the screenplay, not the Film. Reading the Story and viewing the Film demonstrate that well over 20% of the Film owes its origin to the Story.

In 1984, petitioners embarked on a massive re-release of the Film throughout the United States. Petitioners made hundreds of thousands of new film and videotape copies of the Film, and thus the Story embodied in the Film, and publicly performed the new copies in theatres, over free, pay and cable television, and through videotape and videodisc sales and rentals.[24] Petitioners received over $12,000,000 in revenues from their national exploitation of the Story and the new matter in the Film during the term of the Story's copyright alone. Petitioners' re-release of the Film in direct competition with respondent also interfered with his ability to pursue new derivative works such as a Rear Window play.

4. The Decision of the Court of Appeals

The Court of Appeals ruled that respondent is entitled to the portion of petitioners' profits attributable to petitioners' copying and commercial exploitation of the Story in the renewal term of its copyright. Conversely, petitioners are entitled to the profits attributable to the new matter added to the Story to create the movie version. The Court of Appeals also held that respondent will be entitled to any damages caused by petitioners' re-release of the Film but indicated that it believed injunctive relief, which is by statute discretionary, should be withheld.

SUMMARY OF ARGUMENT

For well over 50 years motion picture producers have acquired the right to make motion picture versions of

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[24] Petitioners made almost a million dollars worth of new 35-millimeter and 16-millimeter prints of the Film for theatrical exhibition and another $800,000 worth of videocassette and videodiscs of the Film for sale and rental. R. 122, Exh. 35. These thousands upon thousands of copies of the Film are also copies or new versions of the Story embodied in the Film. *Grove Press*, 247 F. Supp. 518, 525, 527; 2 *Nimmer on Copyright* § 8.01[B] at 8-13.

literary works and have also obtained the author's consent to continued distribution of the movie version of the author's work even after the copyright in the author's work is renewed. Throughout this time, motion picture producers knowingly and voluntarily assumed the risk that the author might die in the first term of copyright and the producer may have to compensate the author's widow or widower, children, executor or next of kin, for the right to continue to distribute the film embodying the author's literary work. In those cases where the author did not live to renew, movie owners successfully negotiated agreements with the author's statutory successor, continued to distribute the movie to the public, and absorbed the cost of complying with the copyright law's formalities in return for the privilege of exploiting the copyrighted materials owned by others.

Now, petitioners and the *amicus* studios ask this Court for relief from the risks they chose to bear, and a free license to use and exploit copyrighted literary materials embodied in their motion pictures without paying any compensation to the proprietors of the renewal copyrights in the underlying literary works. Movie studios seek to retain not only the profits generated by the new matter protected by their derivative copyrights but also the profits attributable to their copying and commercial exploitation of the literary works incorporated in their movies and protected by copyrights. To this end, petitioners and the studios ask the Court to ignore history and the statute, to coat this Court's important decisions with "gloss," and to conjure up a broad rule that all derivative copyrights protect more than the new matter added and extend to impair the exclusive rights conferred upon copyrights in literary and other works.

Contrary to the arguments of petitioners and the studios, this case presents a straightforward question of statutory construction of the Copyright Act of 1976.

1. The 1976 Act re-enacts the relevant provisions of § 24 of the 1909 Act *verbatim*, specifically in order to preserve the renewal principles and the prevailing view

that a deceased author's statutory successor is entitled to compensation for the continued exploitation of literary material covered by a renewal copyright and incorporated in a derivative work.

2. The Ninth Circuit correctly applied the statute's provisions in determining that an author's grant of his contingent renewal rights does not convey or impinge upon the renewal rights of his statutory successor; and that since a derivative copyright conveys no interests in the copyright of the underlying materials, petitioners had no right to copy or exploit the Story embodied in the Film during the renewal term of the Story's copyright.

3. There is no justification for this Court to elevate derivative works to the special status of conferring rights in underlying copyrighted works, where Congress has already enacted a balanced compromise of the various policy considerations and the interests of owners of copyrights in basic and derivative copyrights.

4. The fair use defense is not a loophole to defeat Congress' decision to ratify and preserve the renewal scheme as to works created before 1978. Petitioners' commercial use of the whole fictional Story, adversely affecting the adaptation rights of the Story's owner, cannot be a fair use.

ARGUMENT

I. CONGRESS, IN EXERCISING ITS CONSTITUTIONAL GRANT OF POWER, HAS RESOLVED THE COMPETING INTERESTS AND POLICY CONSIDERATIONS IN FAVOR OF THE *ABEND* RULE.

A. The 1976 Act Re-enacted the Relevant Provisions of the 1909 Act and Preserved the Veto Power of Statutory Successors of Deceased Authors.

In interpreting the provisions of the 1976 Act, the Court is guided by Congress' decision to re-enact provisions of the prior law in order to preserve the prevailing view of the renewal scheme.

> "Congress is presumed to be aware of an administrative or judicial interpretation of a statute and to adopt that interpretation when it reenacts a statute without change. . . .So too, where, as here, Congress adopts a new law incorporating sections of a prior law, Congress normally can be presumed to have had knowledge of the interpretation given to the incorporated law, at least insofar as it affects the new statute."

Lorillard v. Pons, 434 U.S. 575, 580-81 (1978); *see, also, Herman & MacLean v. Huddleston*, 459 U.S. 375, 384-85 (1983) [Congress ratified judicial interpretations of § 10(b) of the Securities Exchange Act of 1934, when Congress left Section 10(b) intact during extensive revision of the federal securities laws.]

Section 304 of the 1976 Act repeats verbatim the renewal provisions of § 24 of the 1909 Act[25] which led this Court and the lower Courts to conclude that the renewal copyright claimed by a deceased author's statutory successor is a new estate free and clear of the author's grants of his contingent interest in the renewal term. *Miller Music*, 362 U.S. 373, 377-78 and cases cited above at 2-4.

Congress also re-worded and then re-enacted § 7 of the 1909 Act, clarifying that a derivative copyright only attaches to the new matter and does not impinge upon the exclusive rights conferred by the copyright in the underlying work:

> "The copyright in a compilation or derivative work extends only to the material contributed by the author of such work, as distinguished from the preexisting material employed in the work, and does not imply any exclusive right in the preexisting material. The copyright in such work is independent of, and does not affect or

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[25] For ease of comparison, the Appendix sets forth § 304(a) marked to identify the scant modifications of § 24.

> enlarge the scope, duration, ownership, or subsistence of, any copyright protection in the preexisting material."

17 U.S.C. § 103(b).[26]

Congress' ratification of the Courts' decisions interpreting §§ 24 and 7 of the 1909 Act compels the conclusion Congress also preserved the inevitable consequences of those decisions. Section 304(a) ratifies the rule that a renewal copyright is free and clear of a deceased author's prior grants, and § 103 ratifies the rule that a derivative copyright does not affect the exclusive rights of the copyright in the basic work. It necessarily follows that a derivative work created under an author's grant of rights in the first and renewal term cannot be distributed during the renewal term without the consent of the deceased author's statutory successor. Bricker, 29 S. Cal. L. Rev. 23, 27-28, 43; DeWolf, *An Outline of Copyright Law* 128-29; *see* above at 6-8. This was also the conclusion of Study No. 31, which the Register provided to Congress. Study No. 31, at 169-70; *see* below at 9, n. 9.

Even in the absence of a clear record of Congress' intent, the mere re-enactment of the prior law indicates Congress preserved the prevailing view of the renewal scheme. Here, however, the history of the termination provisions is replete with proof that the 1976 Act was

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[26] In discussing § 103, the House Report stated that:

> "The most important point here is one that is commonly misunderstood today: copyright in a 'new version' covers only the material added by the later author, and has no effect one way or the other on the copyright or public domain status of the preexisting material."

H. Rep. No. 94-1476, at 57. This point was clearly *not* misunderstood by the Courts, the Register of Copyrights or the commentators before the adoption of the 1976 Act. *See* above at 5-6.

intended to preserve the renewal scheme untouched as part of a compromise reached among the Register, authors' representatives and the MPAA. *See* above at 10-12.

B. The Ninth Circuit's Decision Gives Effect to the Compromise Reached and Congress' Ratification of the Prevailing View of the Law.

1. Petitioners' Unauthorized Commercial Exploitation of the Story Embodied in the Film Infringed the Story's Renewal Copyright.

This action arises under the 1976 Act, and the Act grants respondent's copyright in the Story the exclusive rights to copy, publicly perform or display the Story, and to make, authorize and exploit derivative works based upon the Story. 17 U.S.C. § 106. While petitioners' derivative copyright also conveys exclusive rights, their derivative copyright is "independent of" the "copyright protection," *i.e.* the exclusive rights, conferred by the copyright in the pre-existing material. 17 U.S.C. § 103(b). The exclusive rights conferred by petitioners' derivative copyright extend only to the new matter Patron, Inc., the proprietor of the original copyright in the Film, added to the Story. *Id.*

Commencing in 1984, petitioners made hundreds of thousands of new film, videotape and videodisc copies of the Film, and thus hundreds of thousands of new copies of the Story incorporated into the Film. Petitioners then publicly performed, or authorized the public performance of, the new copies in theatres, over free, pay and cable television, and sold or rented the videotape and videodisc copies. Petitioners' copying and commercial exploitation of the Story embodied in the Film thus violates the exclusive rights conferred upon the Story's copyright by § 106 of the 1976 Act.[27] Since the rights

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[27] Petitioners' uses of the Story would also have violated the exclusive rights conferred by Section 1 of the 1909 Act to,

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conferred by § 106 on the copyright of the Story are *exclusive*, it follows that petitioners cannot exercise or share those rights unless (1) petitioners own a copyright interest in the protected Story or (2) petitioners have an effective license to exercise those exclusive rights to copy and publicly perform the Story. 1 *Nimmer on Copyright* § 3.07[A], at 3-23 to 3-24.

The 1976 Act precludes the possibility that petitioners' derivative copyright confers a copyright interest in the material protected by respondent's copyright. Section 103(b) provides that a derivative copyright only "extends to" the new matter, and "is independent of, and does not affect or enlarge the scope, duration, ownership, or subsistence of, any copyright protection in the pre-existing material."[28] Petitioners obtained their derivative copyright in 1982, and it is clearly governed and limited by § 103(b).[29]

Neither did petitioners have a contractual right to use the material protected by the Story's renewal copyright: Cornell Woolrich's contingent agreement to convey

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e.g., (a) "publish, copy, and vend the copyrighted work; (b) to . . . make any other version thereof, if it be a literary work; (c) . . . to play or perform (the copyrighted work) in public for profit, and to exhibit, represent, produce, or reproduce it in any manner or by any method whatsoever. . . ."

[28] This is, ultimately, a restatement of the foundational principle, with statutory and Constitutional underpinnings, that "[c]opyright protection subsists . . . in original works of authorship. . . ." 17 U.S.C. § 102(a). *See, also, Harper & Row, Publishers, Inc. v. Nation Enterprises*, 471 U.S. 539, 547 (1985) ("*Harper & Row*") ["The copyright is limited to those aspects of the work – termed 'expression' – that display the stamp of the author's originality"]. The preexisting material in a derivative work simply is not original with the creator of the derivative work.

[29] However, even a 1909 Act derivative copyright would not convey any rights in the material covered by the Story's renewal copyright. *See* above at 5-6.

renewal rights was unenforceable as to his statutory successor who claimed the renewal copyright after the author's death. 17 U.S.C. § 304(a), re-enacting § 24 of the 1909 Act, and thus adopting and ratifying the Courts' decisions interpreting the renewal provisions. Mr. Woolrich's agreement that Patron's predecessor could exploit the movie versions of the Story during the renewal term, conveyed only a "contingent interest." *Fred Fisher*, 318 U.S. 643, 651. If Mr. Woolrich did not survive to claim his renewal copyright, his surviving spouse or children, if any, obtained their own renewal copyright free and clear of Mr. Woolrich's grant of rights in the renewal term. *De Sylva*, 351 U.S. 570, 582. The renewal copyright is also free and clear of a deceased author's grants if, as here, the author is not survived by a spouse or children and the renewal copyright is instead obtained by the executor of his estate. *Miller Music*, 362 U.S. 373, 376-77.

Since petitioners have neither an ownership interest in the Story's renewal copyright nor a valid license to exercise or share the exclusive rights conferred by the Story's renewal copyright, the Ninth Circuit properly ruled that petitioners' copying and exploitation of the Story incorporated into the Film constitutes infringement of the Story's renewal copyright. Respondent is therefore entitled to an award of the profits attributable to that infringement and his damages.[30] 17 U.S.C. § 504.

The Ninth Circuit's dutiful application of the 1976 Act also gave effect to the statutory purpose of the renewal scheme's second chance. Cornell Woolrich granted the motion picture rights before the value of the Story was clear, and for a flat sum without the right to share in the revenue generated from exploitation of the Story. The right to a renewal copyright free of prior

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[30] Apportionment of profits has long been a feature of the copyright laws, *Abend*, 863 F.2d 1465, 1480, and there is no reason to believe awards will be "disproportionately large." *Am.* St. Br. at 29.

grants is especially compelling in these circumstances. 2 *Nimmer on Copyright* § 9.02 at 9-24. If the Ninth Circuit had not applied the statute, then petitioners would have received all of the profits generated from their exploitation *of the Story* in its renewal term.

2. *Miller Music* and the Statute Cannot Be Read To Make Renewal Copyrights In Literary Works Second Class Copyrights.

Petitioners ask that the Court create a "gloss" upon *Miller Music* and, at this late date, rule that the renewal copyright is *not* free and clear of a deceased author's consent to the copying and commercial exploitation of literary works during the renewal term. Of course, such a "gloss" would defeat the compromise reached and the balance struck by Congress when it re-enacted § 24 to preserve the prevailing view of the renewal scheme. *See* above at 10-12. Moreover, no minor tinkering would be involved: *Miller Music*'s holding that an author's assignment of the entire panoply of rights in the renewal copyright is contingent upon the author surviving to renew, necessarily subsumes the rule that a deceased author's assignment of a portion of those rights is also contingent. *Abend*, 863 F.2d 1465, 1476; M.R. Stein, *Termination of Transfers and Licenses Under the New Copyright Act: Thorny Problems for the Copyright Bar*, 24 UCLA L. Rev. 1141, 1163 n. 101 at 1164 (1977) [*Rohauer* "carved out" an "enormous exception" to *Miller Music*].[31] Neither is there a sound

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[31] Petitioners attempt to distinguish *Miller Music* on its facts by stating that the case "apparently" did not involve derivative works. Petitioners hedge because, as a practical matter, *Miller Music* necessarily involved derivative works: the copyrighted work was a song co-written by the deceased author, and the publisher had undoubtedly authorized recordings of the song, *i.e.*, the creation of derivative works. It would be absurd to assume, as petitioners ask the Court to do, that the only works involved in *Miller Music* were copies of the original sheet music.

basis to rule that an author's first term grant of renewal rights is an expectancy as to some grantees but a vested right as to other grantees.

The statute precludes a judicial "gloss" that a renewal copyright does not convey all of the same exclusive rights as an initial copyright. Section 304(a) provides, as did § 24, for "a renewal and extension of *the copyright* . . . ," and not merely a portion of the exclusive rights conferred by "the copyright." Neither this Section nor any other provision of the 1976 Act leaves room for a "gloss" that renewal copyrights are deficient relatives of other copyrights.[32] Petitioners' proposed "gloss" would be a whitewash to cover judicial revision of the Act.

3. Injunctive Relief Is Always Discretionary.

The Court of Appeals in *Abend* met petitioners' spectre of deadlock between owners of movies and owners of the renewal copyrights in literary works, by correctly noting that the issuance of injunctive relief is always discretionary. Section 502(a) provides that (a) Court "may . . . grant . . . injunctions on such terms as it may deem reasonable to prevent or restrain infringement of a copyright." The 1976 Act thus "reasserts the discretionary power of courts to grant injunctions . . . " H. Rep. No. 94-1476, at 160.

Abend ruled that injunctive relief may be denied to allow petitioners to exhibit their movie subject to paying

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[32] Section 102 makes no distinction between the copyrightability of literary works and motion pictures. Section 106 does not distinguish between the exclusive rights conferred upon original and renewal copyrights. As discussed above, § 103 specifically prohibits a rule that the creation of a derivative work impairs the rights conferred upon the underlying work. This was also the rule under the 1909 Act. *See, e.g., Gilliam*, 538 F.2d 14, 20 [A work's copyright "survives intact despite incorporation of that work into a derivative work, ..."].

the Story's proprietor a portion of the profits attributable to petitioners' use of the Story in the renewal term.[33] This determination did not turn on whether the Film was a "classic," but rather the portion of new matter added by Patron and petitioners' interest in exploiting that new matter. *Abend*, 863 F.2d 1465, 1478-79.[34] Thus, a movie studio's bargaining position in negotiating with a deceased author's statutory successor[35] is enhanced by decreasing the risk of injunctive relief. If an impasse is nevertheless reached, the movie owner need only institute a declaratory relief action to establish its ability to re-release a movie and the portion of profits to be paid as compensation for the use of material covered by the renewal copyright.

C. The 1976 Act Bars the *Rohauer* Result.

1. *Rohauer's* Misapplication of the 1909 Act.

Petitioners and the *amicus* studios rely upon *Rohauer v. Killiam Shows, Inc.*, 551 F.2d 484 (2d Cir. 1977), *cert.*

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[33] To the extent the Ninth Circuit actually foreclosed injunctive relief in this case, it went too far. This is an appeal from Summary Judgment and a full record of, *e.g.*, the amount of new matter in the Film and the injury to respondent from head-on competition with the Film, has not been developed. Upon remand and after further proceedings, the District Court should rule on the issue of injunctive relief.

[34] It is ironic indeed that although petitioners complained that applying the renewal principles would prevent them from distributing the "classic" Film and exploiting the new matter, they now chafe at the Court's decision that they could be relieved of that risk.

[35] Although the possibility of a deadlock has been raised by petitioners, neither the behemoth MCA, Inc. nor any of the other major motion picture studios who filed *amicus curiae* briefs here or below, have proven a single instance of so-called "copyright death." *See* below at 35-37.

denied, 431 U.S. 949. In *Rohauer*, the owner of the derivative copyright in the movie "The Son of the Sheik" allowed a videotape of the movie to be broadcast over WNET, an educational television station. The movie had been made in 1926 under the author's grant of movie rights in both the original and renewal term of copyright.[36] However, the author died in the first term of copyright and her daughter obtained the renewal copyright in the novel. *Rohauer* reversed the District Court's Judgment for the author's daughter and licensee, finding that the two or three broadcasts did not amount to infringement under the 1909 Act.

Rohauer is clearly at odds with the cases under the 1909 Act. A person may use copyrighted material only if (1) they have a license to use the material or (2) they own a right or interest in the copyright of the material. In *Rohauer*, the author's agreement that the motion picture version of her novel could be distributed during the renewal term was meaningless because she had not survived to claim the renewal copyright. *De Sylva*, 351 U.S. 570, 582; *Miller Music*, 362 U.S. 373, 375. Accordingly, the Court in *Rohauer* instead relied on the theory that the derivative work's copyright gave the movie's owner a new property interest in the novel, entitling the movie's owner to use the novel without the consent of the proprietor of the novel's renewal copyright.

However, this new property rights theory is "plainly wrong" under the 1909 Act. 1 *Nimmer on Copyright* 3.07[A] at 3-31. Section 7 of the 1909 Act was uniformly interpreted to provide that a derivative copyright only attaches to the new matter added, and does not affect the scope or force of the exclusive rights of the underlying copyright. *See, e.g., Gilliam*, 538 F.2d 14, 20; *Reyher v.*

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[36] The author was paid $21,000 for the movie rights to her novel in 1925. 551 F.2d 484, 486. She received almost twenty times the consideration that was paid to Cornell Woolrich for the rights to the Rear Window Story 20 years later.

Children's Television Workshop, 533 F.2d 87, 89-90 (2d Cir. 1976), *cert. denied*, 429 U.S. 980; *Russell*, 612 F.2d 1123, 1128; *Grove Press*, 247 F. Supp. 518, 524; and cases cited above at 5-6.

Rohauer states that § 7 does not apply to the respective rights of owners of basic copyrights and of derivative copyrights,[37] but the panel nevertheless also ruled that Killiam's derivative copyright did not convey the right to make new movie versions of the novel. Of course, the "1909 Act made no distinction between a copyright owner's right to authorize copying or exhibition of the work as it appears in an existing derivative work and the right to authorize creation of a new derivative work." *Russell*, 612 F.2d 1123, 1128 n.16. Thus, as Professor Nimmer correctly stated, *Rohauer* gives § 7 sufficient force to prevent the preparation of new versions while also concluding that § 7 has no application. 1 *Nimmer on Copyright* § 3.07[A] at 3-28.1.

Rohauer also failed to satisfactorily distinguish the precedent.[38] *Abend*, 863 F.2d 1465, 1473-76; 1 *Nimmer on*

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[37] *Rohauer*'s rather selective reading of the legislative history, in an attempt to sidestep § 7, was based on materials not available to the parties, 551 F.2d 484, 488, and is simply incorrect. *Abend*, 863 F.2d 1465, 1476; Mimms, 25 N. Y. L. Sch. L. Rev. 595, 608-09; Note, *Derivative Copyright and the 1909 Act – New Clarity or Confusion?*, 44 Brooklyn L. Rev. 905, 919-21 (1978). Even the principal advocate of *Rohauer*, who also happened to be counsel for Killiam Shows, concedes the "weakness" in *Rohauer*'s analysis of the legislative history. P. Jaszi, *When Works Collide: Derivative Motion Pictures, Underlying Rights, and the Public Interest*, 28 UCLA L. Rev. 715, 791 (1981).

[38] *Rohduer* never even attempted to distinguish the Second Circuit's cases recognizing the rule that a derivative copyright only attaches to the new matter added. *See, e.g., Gilliam*, 538 F.2d 14, 20; *Reyher*, 533 F.2d 87, 89-90; *American Code Co. v. Bensinger*, 282 F. 829, 834 (2d Cir. 1922); *Eichel v. Marcin*, 241 F. 404, 411 (2d Cir. 1913); *Grove Press*, 247 F. Supp. 518, 524, 526-27.

Copyright § 3.07[A] at 3-26 to 3-29; Mimms, 25 N. Y. L. Sch. L. Rev. 595, 609-14; Note, 52 S. Cal. L. Rev. 635, 656-58; Note, 44 Brooklyn L. Rev. 905, 915-18; Stein, 24 UCLA L. Rev. 1141, 1163 n. 101. For example, in *G. Ricordi & Co. v. Paramount Pictures, Inc.*, 189 F.2d 469 (2d Cir. 1951), the Second Circuit rejected the theory that the preparation of a derivative work created any new property rights in the underlying materials which would allow their continued use without the author's consent. The panel in *Rohauer* found this case inapplicable because the author's consent lapsed by the terms of the contract instead of by operation of the renewal scheme. However, in both instances there is no effective grant of rights in the renewal term.[39]

Rohauer also cited, and petitioners and the *amicus* studios now urge, the so-called "narrow interpretation" of *Ricordi* described in a footnote to an article on an unrelated subject.[40] Upon scrutiny, however, this "narrow interpretation" ultimately relies on the very same new property theory which *Ricordi* rejected. Petitioners argue that since *Ricordi* prohibited the owner of the derivative work from making "general use" of the subsisting material the Court only barred the making of new versions of the subsisting materials, and permitted uses that are less than "general." Petitioners then conclude that continued exhibition of subsisting materials as incorporated in a derivative work is somehow less than a "general use." However, the 1909 Act made no distinction between the

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[39] *Abend*, 863 F.2d 1465, 1475; 1 *Nimmer on Copyright* § 3.07 [A] at 3-28.1 to 3-29; Mimms, 25 N.Y. L. Sch. L. Rev. 595, 609-13; Note, 52 S. Cal. L. Rev. 635, 657; Note, 44 Brooklyn L. Rev. 905, 917-18.

[40] D. Engel, *Importation and Protection of Works of American Authors Manufactured Abroad Via the U.C.C. Exemption from Formalities: How Now Sacred Cow?* 12 Bull. Copy. Soc'y 83, 119 n. 126 (1964).

copyright proprietor's exclusive right to make new versions and the exclusive rights to exhibit, perform and copy. *Russell*, 612 F.2d 1123, 1128 n.16; Note, 44 Brooklyn L. Rev. 905, 925 n.111.[41] This "narrow interpretation" of *Ricordi* thus resolves to the argument that the derivative copyright conveyed new property rights reserved, by statute, to the owner of the copyright in the underlying material.[42] But the Court in *Ricordi* foreclosed this argument by unambiguously reaffirming that the derivative copyright only protected the new matter. 189 F.2d 469, 471.

It is no wonder that the Register of Copyrights termed *Rohauer* a surprise (*Annual Report of the Register of Copyrights, 1977* at 22), and that the Second Circuit has confined *Rohauer* to the status of an "aberration." *Filmvideo*, 668 F.2d 91, 93.

2. The *Rohauer* Result is Barred by the 1976 Act.

Whatever room there was in the 1909 Act to accommodate a new property rights theory has been clamped shut in the 1976 Act. *Rohauer*'s theory that a derivative copyright conveys a new property right in the underlying material is precluded by § 103(b) of the 1976 Act.

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[41] Neither is it clear that making new derivative works will be less damaging than continuing to exhibit an existing derivative work. A new derivative work can be a minor alteration to a portion of the subsisting materials – a different arrangement of a few bars of music, for instance – and thus not seriously impinge upon the market for new versions of the whole copyrighted work. Continued exhibition of a derivative work that embodies the entire subsisting work with minimal alteration will effectively preempt the market. *See* below at 33.

[42] This conclusion is buttressed by Engel's citation of *Edmonds v. Stern*, 248 F. 897 (2d Cir. 1918), which contained dictum (Note, 44 Brooklyn L. Rev. 905, 924-25), appearing to advance a new property theory. *Mimms*, 25 N. Y. L. Sch. L. Rev. 595, 618.

D. Following *Rohauer's* Analogy to the 1976 Termination Provisions Would Defeat the Compromise Reached and Congress' Unequivocal Decision to Preserve the Rights of Existing Copyright Proprietors.

After considerable study and debate, the Register of Copyrights and the affected groups, including the movie producers, reached a compromise consisting of (1) the preservation of the prevailing view of the renewal scheme as to works already in existence; (2) a prospective rule that an author's right of termination is inalienable, thus abrogating *Fred Fisher*; and (3) a prospective rule that the new termination provision does not include in its scope the right to distribute a pre-existing derivative work. After noting that the 1976 Act's provisions were the result of an accommodation by the affected groups and were endorsed by the Register, Congress enacted this compromise into law.[43]

Petitioners and the *amicus* studios now ask the Court to adopt *Rohauer's* retroactive application of one feature of this compromise, the new derivative works exception to the right of termination, on the grounds the exception evidences "a belief on the part of Congress for special protection for derivative works," *quoting Rohauer*, 551 F.2d 484, 494. However, the linchpin of the compromise was the preservation of the law as to existing works. To apply the new exception to the 28 year term of existing copyrights would fundamentally alter the balanced

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[43] Congress preserved the prevailing view of the renewal scheme as to existing works by re-enacting § 24 as § 304(a); abrogated *Fred Fisher* by making the author's termination rights inalienable, §§ 203(a)(5) and 304(c)(5); provided a new exception excluding derivative works from the scope of the termination right, §§ 203(b)(1) and 304(c)(6)(A); and specifically prevented the termination provision from applying to the 28 year term of the renewal copyright, § 304(3).

compromise reached[44] and "legislate" out of existence Congress' careful drafting to avoid retroactive application of the exception to potentially millions of copyrights.[45] *Abend*, 863 F.2d 1465, 1477-78; Note, 52 S. Cal. L. Rev. 635, 658-59; Note, 44 Brooklyn L. Rev. 905, 930-31.[46]

E. There Would Be Widespread Repercussions and Uncertainty If This Court Were to "Legislate" *Rohauer* Into Law.

There would be widespread repercussions and uncertainty if this Court were to engraft *Rohauer* onto the 1976 Act in conflict with the unambiguous language of the Act, the clear legislative intent, and the industry practices and untold number of contracts made in the context of the accepted understanding of the renewal scheme.

A judicial theory that a derivative copyright creates a new property right in the pre-existing materials would cast derivative copyrights adrift from the moorings of §§ 102 and 103. Once the rights conferred by a derivative copyright extend beyond the statutory limitations of the new matter added, there is no basis to prevent those rights from including the right to, *e.g.*, make new versions of the subsisting material. 1 *Nimmer on Copyright*,

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[44] One can imagine how the studios would howl if this Court were to find that the 1976 Act's provisions making the author's termination rights inalienable evidences "a belief on the part of Congress for special protection for" authors and, upon that basis, retroactively applied the provision to reverse *Fred Fisher*.

[45] The Senate predicted that by January 1, 1978, the effective date of the 1976 Act, there would be some 6 million copyrights in their renewal term. S. Rep. No. 473, 94th Cong., 1st Sess. 122 (1975).

[46] *Rohauer's* analogy to the 1976 Act was also unduly selective: *Rohauer* ignored § 103(b) of the 1976 Act, which specifically precludes *Rohauer's* new property rights theory. 1 *Nimmer on Copyright*, § 3.07[A] at 3-31 to 3-32.

§ 3.07[A] at 3-28.1. If the Act's provisions are merely non-binding guidelines for Courts to consider before they reach a result a particular judge or panel believe makes policy sense, an unprecedented degree of uncertainty is injected into the field of law.

Neither is there a satisfactory basis to separate any judicially created rights in the subsisting material from the statutory *limitations* on copyright. For example, parties have now argued that if a derivative work goes into the public domain it carries with it the copyrighted underlying work to which, under *Rohauer*, the derivative copyright also attaches. *Russell*, 612 F.2d 1123, 1126; *Filmvideo*, 668 F.2d 91, 93. While these two Courts have rejected this argument,[47] the viability of these cases would be threatened if this Court were to adopt *Rohauer*.

The *Rohauer* theory would presumably also apply in those instances where an author had sufficient leverage to obtain a motion picture producer's agreement to pay additional compensation for the use of the pre-existing work in the renewal term. However, under *Rohauer*, if the author does not survive to renew the movie could be exploited "as a matter of copyright," *Rohauer*, 551 F.2d 484, 492, without paying the additional compensation to the deceased author's statutory successors with whom the producer has no contract. If the Courts somehow managed to close this loophole in the *Rohauer* theory, the statutory purpose of additional compensation would only be given effect in the context of authors who had extraordinary leverage which allowed them to resist lump sum

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[47] In *Russell*, the Ninth Circuit noted the adverse criticism of *Rohauer* and found *Rohauer's* reasoning "unconvincing." 612 F.2d 1123, 1126 n.10, 1127 n.13, 1128 n.16. In *Filmvideo*, the Second Circuit relegated *Rohauer* to the status of an "aberration." 668 F.2d 91, 93.

conveyances of both their original copyrights and their renewal expectancies.[48]

A change in the law at this late date would also wreak havoc on contracts for the payment of compensation to deceased author's statutory successors. Prior to *Rohauer*, movie studios routinely entered into new agreements with the successors of deceased authors, allowing the use of movies during the renewal term of the underlying works in return for compensation to the renewal claimants. Studios could attempt to seek restitution of payments made to deceased authors' surviving spouses, children and others, on the grounds there was a mutual mistake of law. At the least, studios would undoubtedly refuse to honor their promises to pay the agreed-upon royalties for future use of the work embodied in their movies.

Since, under *Rohauer*, the owners of derivative works cannot make new versions of the underlying work, and since the re-release of older derivative works, as a practical matter, preempts the market for new derivative versions of the underlying work during the renewal term, *Rohauer* would mean that only one derivative version can be made of a literary work. Melniker & Melniker, 22 N.Y. L. Sch. L. Rev. 589, 611 n.118; Jaszi, 28 UCLA L. Rev. 715, 740 n.67. *Rohauer* would thus defeat the right of the author's statutory successor to authorize new versions during the renewal term, making the renewal copyright a second class copyright.[49]

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[48] Lump sum conveyances are a primary target of the renewal scheme. Report of the Register of Copyrights on the General revision of the U.S. Copyright Law, 87th Cong., 1st Sess., Copyright Law Revision (H. Judiciary Comm. Print 1961), Part 1, at 58. 2 *Nimmer on Copyright*, § 9.02 at 9-24.

[49] Of course, public access to new versions is also an important interest of the copyright laws.

A review of the many cases relying upon the principle that a derivative copyright protects only the new matter added demonstrates the far-reaching consequences of undercutting that principle. If an author consents to the making of a new version, do the derivative copyright's "new rights" in the underlying material enable the owner of the new version to alter and edit that underlying material, thus overruling *Gilliam*, 538 F.2d 14, 20? If a movie version of a book is made and copyrighted with the author's consent but the author's consent is subsequently revoked because of the producer's breach, does the producer nevertheless still have the right, "as a matter of copyright," to use the book as incorporated in its movie? *Szekely v. Eagle Lion Films*, 140 F. Supp. 843 (S.D.N.Y. 1956), *aff'd*, 242 F.2d 266, *cert. denied*, 354 U.S. 922.

When one considers that *Rohauer*'s new property rights theory would apply to all derivative works, the breadth and severity of the consequences of adopting *Rohauer* are multiplied a hundredfold. Any non-trivial variation of a pre-existing work would support a derivative copyright[50] and under *Rohauer* a new property right to the pre-existing work would spring into existence. 1 *Nimmer on Copyright* § 3.07[A] at 3.30. [Under *Rohauer*, "slight alteration" in arrangement of song could be used to frustrate renewal scheme].

F. It is Neither Necessary Nor Appropriate For This Court to Change Congress' Balance of the Various Policy Considerations.

Petitioners and the *amicus* studios dust off the arguments they used to obtain a prospective derivative works exception, and now argue that this Court should make retroactive what Congress carefully made prospective

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[50] *Alfred Bell & Co. v. Catalda Fine Arts, Inc.*, 191 F.2d 99, 105 (2d Cir. 1951) ["A copyist's bad eyesight or defective musculature, or a shock caused by a clap of thunder, may yield sufficiently distinguishable variations" to support a derivative copyright].

only. For every "interest" or "consideration" advanced by petitioners, there is a counter-argument and a countervailing interest or consideration, and the balance struck by Congress should not be altered.

1. Congress Has Already Accommodated the Renewal Expectancies of Authors of Pre-existing Works and Proprietors of Derivative Works.

Petitioners claim the status of "authors" of the material protected by the Film's derivative copyright, and upon that basis urge that they are also within the "second chance" policy of § 24.[51] However, petitioners desire more than a second chance to use the new matter protected by their derivative copyright: they claim a second chance to use Mr. Woolrich's copyrighted Story.

Congress has already accommodated the renewal copyrights of authors of pre-existing works and proprietors of derivative works by providing that copyrights in original works and in new works only protect the matter original with the creator. Thus, the law puts the owners of renewal copyrights in basic and derivative works on equal footing: both have control over the original matter protected by their respective copyrights[52] and both stand to gain from exploitation of the original matter and the new matter which, together, make up the derivative work.

As a result of the "symmetry and logic" of the renewal scheme, *Miller Music*, 362 U.S. 373, 378, studios have substantial leverage in negotiating with deceased authors' statutory survivors because they can threaten to

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[51] The "author" of the Film is Patron, Inc., the original claimant of the derivative copyright. Petitioners Stewart and Alfred Hitchcock were employees for hire, and petitioner MCA, Inc., merely holds the 10% interest claimed by Messrs. Stewart and Hitchcock's talent agent, MCA Artists.

[52] *G. Ricordi*, 189 F.2d 469, 471, 471-72.

withhold the movie from exhibition and wait out the literary work's renewal term if the author's successors do not come to terms.[53] Historically, motion picture studios have in fact successfully negotiated with the proprietors of renewal copyrights in order to continue to distribute derivative works during the renewal term. R. 78 at pp.2-7, R. 121 at 8-9. Movies such as *Gone with the Wind, My Fair Lady, The Sound of Music* and *Doctor Zhivago* continue to be distributed for the mutual benefit of the producers and the deceased authors' statutory successors who renewed the copyrights to the underlying literary materials. Melniker & Melniker, 22 N.Y. L. Sch. L. Rev. 589, at 612-13, n.118, 616; Karp, 25 Bull. Copyright Soc'y 1, 16; *Trust Co. Bank*, 593 F. Supp. 580, 584-85 [After author of novel *Gone With the Wind* died and author's agreement to convey renewal rights became "ineffective," owner of the movie entered into new agreement with owner of novel's renewal copyright.]

Petitioners, including MCA, Inc., have not presented a shred of evidence that even one single motion picture has been withheld from public distribution because they could not bargain to a mutually advantageous agreement with the owner of the renewal copyright in the underlying work.[54] Instead, petitioners cite law review articles that refer to a handful of films that may have been

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[53] Petitioners predict hundreds of suits, citing newspaper mischaracterizations of statements by respondent's counsel that the ruling in this case might affect as many as 600 works. Not only has history shown that the renewal scheme rarely led to litigation, but not one of the 600 suits imagined by the press and petitioners has materialized.

[54] Since petitioners never countered respondent's initial proposal of an equal split of profits in return for a new license to use the Story during the renewal term, the proposal is no evidence of an inability to bargain. Petitioners simply refused to negotiate, preferring to rely on *Rohauer* for their massive re-release of the Film.

withheld from distribution because of rights disputes. The *amicus* studios, who are the other major motion picture studios, can only refer to the same articles.[55]

Petitioners and the *amicus* studios, as owners of the largest film libraries in the world, are uniquely situated to parade before this Court every single instance of "deadlock," "copyright death" and surly and intransigent widows, heirs and "speculators." Instead, they cite unsupported assertions of fact in law review articles. The conclusion is obvious: the threat to "public access" is contrived.

2. The *Abend* Rule Fulfills the Policy of Providing Renewal Claimants with a Second Chance to Benefit from the Commercial Uses of their Copyrighted Works.

Petitioners argue that *Rohauer*'s "intrusion" on the exclusive rights conferred upon renewal copyrights in literary works can be justified on the basis that the renewal claimants would have a sufficient "second chance" by retaining their exclusive right to re-publish the literary work in its original form. P. Br. at 33. This intrusion would defeat the exclusive right to authorize and make new versions of the literary work in the renewal term, 17 U.S.C. § 106(2), by forcing competition with the owners of the derivative work. *See* below at 46-47. Congress necessarily rejected a watering down of

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[55] Further, these articles were written after *Rohauer*, suggesting that any inability to bargain with the owners of the derivative works resulted from the uncertainty created by that opinion. One article proves the pitfalls of substituting such hearsay for evidence when it states that the movie *Night Has A Thousand Eyes*, based on one of Mr. Woolrich's stories, has been subjected to "copyright death" because respondent and MCA, Inc.'s subsidiary, Universal Pictures, were deadlocked. The commentator is wrong: the parties negotiated a new agreement in 1976, before *Rohauer*, allowing for the continued distribution of the movie. R. 121 at p.10.

literary copyrights when it ratified the prevailing view that the deceased author's successors will also receive the second chance to control the copying and exploitation of the author's materials as embodied in derivative works created under first term grants.

Petitioners complain that a second chance to control literary works embodied in movies would simply allow "extortion" of monies attributable to the new matter added by the creator of the movie.[56] P. Br. at 34. They complain they will be subject to a " 'tax' on derivative work copyrights (measured by the value of the new work). . . ." P. Br. at 35-36. These statements are the result of a steady aim at misunderstanding the law: the renewal copyrights in the underlying materials only protect the underlying materials, and the Court may only award the defendants' profits "that are attributable to the infringement" of that copyright. 17 U.S.C. § 504(b). The compensation is measured by the value of the underlying copyrighted materials, not the new matter added.

Rohauer, on the other hand, would provide motion picture producers with the windfall of *both* the profits attributable to the new matter protected by this derivative copyright, *and* the profits attributable to the exploitation of the underlying material that is protected by a basic copyright. By petitioners' account, they have reaped gross revenues of $12,000,000, and pure profits of $3.9

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[56] Petitioners attempt to taint respondent by quoting his testimony that he has, over the years, purchased some 100 renewal copyrights for his clients or himself. In all his years as an agent, respondent purchased 18 other renewal copyrights for himself, none of which resulted in litigation. R. 121, at 5-7. Further, petitioners gloss over the fact that respondent's "clients" included motion picture studios such as United Artists. R. 78 at 3-4. Petitioners also fail to mention the movie studios' massive speculation in renewal rights, Spring, *Rights & Risks* 173, or the unfair practices they employed in purchasing renewal rights from deceased authors' unsophisticated successors. R. 121, at 8-10.

million from the re-release of the Film in the second term. P. Br. at 34. These profits are attributable not just to the Film's new matter added by Patron, Inc., but also to the Film's use of the Story. Petitioners thus seek to "reap" what Cornell Woolrich has sown.[57]

3. The Law Provides to the Owners of Derivative Works Nothing Less Than They Bargained to Receive.

Petitioners and the *amicus* studios ask that this Court adopt *Rohauer* because they could not protect against the contingency that the rights to use the author's materials during the renewal term would not vest in the author. However, these studios knew the prevailing view of the law and simply chose to bear the risk that they might have to renegotiate with the author's successor before distributing the movie versions of literary works during the renewal term.[58] Motion picture producers protected themselves by paying a price reflecting the contingent nature of the rights they received from the author.[59]

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[57] There is no basis to suggest, as petitioners do, that in those instances where a derivative work adds only minimal new matter, the author could more easily limit the duration of exploitation by contract. P. Br. at 34. For instance, songwriters uniformly conveyed the renewal terms for no additional consideration, although the music and lyrics are clearly a predominant portion of any musical recording.

[58] Some studios also insured against the risk an author might die before renewal. R. 78, Abend Decl. at 6.

[59] In those instances where the underlying material is a trivial or minor portion of the derivative work, it can be separated out and the new matter exploited. If, on the other hand, the underlying material is so thoroughly incorporated in the derivative work that it cannot be separated, there is all the more reason to provide compensation for the use of that material.

Congress has carefully drafted the statute to deny any additional "protection" to motion picture producers as to pre-1978 works.

Neither can the producers claim to have paid for the right to use these basic materials during the renewal term: In these situations they purchased *the author's* expectancy in the renewal period, *not* the renewal rights of the actual proprietor of the renewal copyright.[60]

4. Congress Has Determined that an Author Could Not Adequately Protect Against Unremunerative Contracts By Limiting His Grants.

Congress adopted the 1909 Act's renewal scheme and preserved it in the 1976 Act as to existing works, specifically because it found that authors were being improperly deprived of the right to control works which had proven to be of value. Congress acted well within its Constitutional grant of power to promulgate copyright laws when it determined that contractual limitations are an insufficient protection of authors.[61]

5. Congress Has Decided that the *Abend* Rule Does Not Improperly Discourage Future Uses of Pre-1978 Materials.

Congress dealt with the potential impact of future uses of pre-1978 materials by giving paramount importance to the preservation of the existing renewal scheme as to works created before January 1, 1978. Any discouragement of new versions of pre-1978 works is more than counterbalanced by the policy of providing the author's family and statutory successors with a second chance,

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[60] *Cf. Tobani*, above at 3, n.4 [Author's wife was paid $5,000 in 1928 for her contingent rights if author should die before renewal.]

[61] Further, the *Rohauer* rule may even frustrate the contractual limitations obtained by authors. *See* above, at 32-33.

and the policy of preserving the renewal scheme as to work created before 1978. Once again, deference must be given to Congress' decision.

Moreover, the motion picture industry has made untold number of films based on pre-existing materials notwithstanding the risk that they would have to renegotiate a new license with the author's statutory successor if the author's contingent grant of renewal rights failed. An author whose pre-1978 work is due to be renewed, whether in 28 or in 5 years, will merely receive a price reflecting the greater risk that renewal rights will not vest in him.[62]

6. The *Abend* Rule Ensures that Authors' Statutory Successors Will Share in the Commercial Exploitation of the Authors' Materials In Existing and New Technologies.

Petitioners argue it is "absurd" for their ability to exploit literary materials in their renewal terms pursuant to first term, lump-sum grants, to turn on whether the author lives or dies before renewal. However, the fact that *Fred Fisher* "substantially thwarted" the second chance policy of § 24 in cases where an author lives to renew, *Mills Music, Inc. v. Snyder*, 469 U.S. 153, 185 (1985) (White, J., dissenting) is hardly a reason to frustrate that

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[62] In those instances where renewal is looming on the horizon, the movie producer is more able to decrease the risk by obtaining assignments from the author's potential statutory successors. That is, while an author's present spouse and children may not be the author's surviving spouse and sole children 25 years hence, they are much more likely to be the surviving spouse and sole children in five years.

policy in cases where the author's statutory successor renews.[63]

The Ninth Circuit also correctly observed that applying *Rohauer* would preclude authors' successors from sharing in the revenue generated from the exploitation of their original stories in new technologies. In a footnote, petitioners cite Mr. Woolrich's grant to argue he wanted them to have all the benefits from future technologies, whatever form they may take. The grant is broad, which should be no surprise: the same factors that led authors to make unremunerative transfers for both the initial and renewal terms also led them to sign grants in the broadest terms which, if given effect, might extend to uses never anticipated by the parties.[64]

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[63] This is especially true since Congress has now abrogated *Fred Fisher* by making an author's termination rights inalienable. 17 U.S.C. § 203(a)(5).

[64] However, petitioners misread Mr. Woolrich's 1945 grant, which conveys the right to "project, transmit, exhibit and otherwise reproduce [Mr. Woolrich's] stories . . . by the art of cinematography or any process analogous thereto, or by television or any process of transmission now known or hereafter to be devised,. . . ." Videocassettes are not "cinematography or any process analogous thereto," and the right to exploit a movie by "means of television" does not include the right to distribute videocassette copies of that movie. *Cohen v. Paramount Pictures Corp.*, 845 F.2d 851, 853-54 (9th Cir. 1988). Neither is the sale or rental of videocassettes a "process of transmission" by, *e.g.*, "cable, microwave, or some such means from a central location." 845 F.2d 851, 853. Since Mr. Woolrich's grant of rights to exploit the stories in future technologies was limited to processes of "transmission" that were thereafter "devised," and since a videocassette is not a process of "transmission," the author's grant did not extend to this type of future technology. As a result, even if this Court were to adopt a new property rights theory, petitioners' exploitation of the Story in the videocassette market exceeded Mr. Woolrich's grant.

Of course, the studios cannot claim to have invented these new technologies, or to have made their movies in anticipation of their invention. The issue is whether, as the fortuitous beneficiaries of technological change, movie producers will also receive the profits attributable to their unauthorized use of the underlying literary properties in these new technologies.[65]

7. This Court's Decision Not To Review *Rohauer* in 1977 Is No Basis to Validate Bad Law.

The *amicus* studios argue that they have relied on *Rohauer* over the last 12 years.[66] The *amicus* studios' reliance was unjustified, since *Rohauer* was only the decision of one Circuit and clearly departed from the prevailing view. The Register of Copyrights immediately labelled *Rohauer* a "surprise." *Annual Report of the Register of Copyrights, 1977*, at 22. The preeminent commentator in the field, Professor Nimmer, analyzed the decision in depth in his treatise and determined that it was "plainly wrong." 1 *Nimmer on Copyright*, § 3.07[A] at 3-31.

Ten years ago the Ninth Circuit found the pivotal aspects of *Rohauer*'s analysis "unconvincing." *Russell*, 612

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[65] *Buck v. Jewell-LaSalle Realty Co.*, 283 U.S. 191, 196-97 (1931) [Copyright proprietor entitled to benefits of new technological advances]; *Cohen*, 845 F.2d 851, 853.

[66] Interestingly, in their brief before the Ninth Circuit the *amicus* studios asserted that they always believed the *Rohauer* rule applied, and the "potential significance of the death of an author of an underlying work before its renewal term arose after the Supreme Court's 1960 decision in *Miller Music*. . . ." *Amicus* brief, 9th Cir., at 3 n.3. In the face of the overwhelming showing that the *Abend* rule was the prevailing view as far back as 1918, *see* above at 6-10, the *amicus* studios now change their footing to argue they have merely relied on *Rohauer*'s departure from that prevailing view over the last 12 years.

F.2d 1123, 1128 n.16. The 1976 Act directly and unambiguously precludes *Rohauer*'s new property rights theory. 17 U.S.C. § 103. Professor Nimmer also pointed out that it was "most questionable whether" *Rohauer* would survive the adoption of the 1976 Act. 1 *Nimmer on Copyright*, § 3.07[A] at 3-32.

In the final analysis, the *amicus* studios' argument that *Rohauer* should stand because it was not reversed by this Court in 1977 ignores this Court's Rule that review by *certiorari* is generally inappropriate unless there is a conflict among Circuits. *See* Rule 17.1(a). The policy of providing the Court with the benefit of the analysis of other Circuits on important issues requires that the Court keep a free hand so that the end result will be the right decision and not just the first decision rendered.

II. FAIR USE IS NOT A LOOPHOLE TO ESCAPE CONGRESS' DECISION TO PRESERVE THE RENEWAL SCHEME AS TO EXISTING WORKS.

The fair use defense allows certain types of limited, reasonable uses of copyrighted materials "for purposes such as criticism, comment, news reporting, teaching, . . . scholarship, or research,. . . ." 17 U.S.C. § 107. Section 107 was intended "to codify the common-law doctrine" and "not change, narrow or enlarge it in any way." *Harper & Row*, 471 U.S. 539, 549, *quoting* H.R. Rep. No. 94-1476, p.66. The commercial exploitation of copyrighted literary materials embodied in a movie is clearly not the use of the literary materials for the specific types of purposes described in § 107. Separate consideration of the four factors set forth in § 107 also confirms that the fair use defense cannot be used to escape the workings of the renewal scheme.

A. The Purpose and Character of Petitioners' Use: Making Money.

The first factor in § 107 is the "purpose and character of the use," and here petitioners have used the Story for the purpose of making money, and lots of it. Petitioners, by their own account, have received $12 million in gross revenues, and $3.9 million in pure profits, during the Story's renewal term alone.[67] By Mr. Hitchcock's estimate, 20% of these profits are attributable to his use of the Story. Petitioners have received these profits by exploiting the Story without payment to the owner of its copyright.[68] "[E]very [unauthorized] commercial use of copyrighted material is presumptively an unfair exploitation of the monopoly privilege that belongs to the owner of the copyright." *Sony Corp. v. Universal Studios, Inc.*, 464 U.S. 417, 451 (1984).

B. The Nature of the Copyrighted Work: Fair Use Rarely Applies to a Literary Work.

The second factor in § 107 is the nature of the copyrighted work. The scope of the fair use defense is narrower where the works are creative products as opposed to non-fictional or informational works. *Sony Corp.*, 464 U.S. 417, 455 n.40; *Brewer v. Hustler Magazine, Inc.*, 749 F.2d 527, 529 (9th Cir. 1984). As the Ninth Circuit noted

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[67] During the initial term, the movie version of the Story generated at least $7,880,000 in revenues, or seven times its production cost. R. 122, Exh. 27 & 28.

[68] Petitioners' predecessor paid only for the rights to exploit the Story in the first term of copyright, and for Mr. Woolrich's contingent rights in the renewal term, all for the flat sum of $1,542.

here, the Story "is a fictional short story: a quintessentially creative product." *Abend*, 863 F.2d 1465, 1481.

C. The Amount of the Portion Used: The Whole Story.

The third factor in § 107, the amount of the copyrighted work used by a defendant, also cuts against petitioners. They did not merely remove a quote or isolated expression from the Rear Window Story but rather used the whole of the Story, including its all-important and unique setting, its characters, plot, and sequence of events.

The fair use doctrine is generally inapplicable to the copying of a dramatic work in its entirety. *Benny v. Loew's, Inc.*, 239 F.2d 532, 536-37 (9th Cir. 1956) *aff'd per curium by equally divided Court*, 356 U.S. 43. While it may be a fair use to copy a work for the sole, non-commercial purpose of "time shifting" to make private viewing more convenient, *Sony Corp.*, 464 U.S. 417, petitioners have copied and publicly performed the whole Story for a purely commercial purpose.

D. The Effect of the Use: Preemption of the Market for New Versions of the Story.

The fourth and last factor of § 107, the "effect of the use upon the potential market for or value of the copyrighted work," is a crucial factor that also precludes the defense. *Harper & Row*, 472 U.S. 539, 566. There is substantial evidence that petitioners' re-release of the Film had a disastrous effect upon the potential market for the renewal copyright in the Rear Window Story.[69] At

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[69] In 1982, respondent contracted with Home Box Office, Inc., for the creation of a play version of the Story. Petitioners'

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oral argument petitioners' counsel conceded that re-release of the Film impinged on the ability to market new versions of the Story. Petitioners attempt to avoid their concession at oral argument but they cannot dispute that, as a general proposition, release of an earlier motion picture version will interfere with the release of new versions. Melniker & Melniker, 22 N.Y. L. Sch. L. Rev. 589, 612 n. 118; Jaszi, 28 UCLA L. Rev. 715, 740 n.67.

E. The Fiction of Implied Consent Cannot Replace the Deceased Author's Ineffective Grant.

Petitioners cite the fiction of implied consent that has sometimes been raised as a basis for the fair use defense, and they ask that this implied consent replace the actual consent of Cornell Woolrich which the 1976 Act makes ineffective. To bind the proprietor of the renewal copyright with implied consent where the author's consent has been vitiated by statute would simply defeat the statute and its policy.

In the context of the fair use defense, petitioners repeat their argument that Congress adopted the new derivative works exception as "a practical compromise." P. Br. at 41. As discussed above, Congress carefully prevented this new exception from applying to the 28 year terms of renewal copyrights in pre-1978 works. For the

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counsel wrote, threatening Home Box Office that petitioners owned the exclusive movie rights to the Story outside the United States, and that Home Box Office could not use the Story's title "Rear Window" anywhere. R. 122, Exh. 36. Petitioners then re-released the Film throughout the United States. Home Box Office's witness testified they could not cast respondent's new version because of the Film. *See, also*, R. 95 at 30-31(a), 61-63.

Court to nevertheless work a retroactive application of that exception through § 107, would completely frustrate Congress' other policy consideration of leaving existing renewal rights untouched.

Furthermore, as the Court recently noted:

> "[T]o propose that fair use be imposed whenever the 'social value [of dissemination] . . . outweighs any detriment to the artist,' would be to propose depriving copyright owners of their right in the property precisely when they encounter those users who could afford to pay for it."

Harper & Row, 471 U.S. 539, 559, *quoting* Gordon, *Fair Use As Market Failure: A Structural and Economic Analysis of the* Betamax *Case and its Predecessors*, 82 Colum. L. Rev. 1600, 1615 (1982).

Finally, there is nothing "fair" about petitioners' use of the Story without paying any compensation to the owners of the copyright in that Story. When petitioners' predecessor in interest purchased the rights to make a movie version of Mr. Woolrich's Story, the purchaser knew it was receiving a contingent interest in the renewal term. The price paid reflected the contingent nature of the rights.[70] Moreover, the price failed to reflect the true value of the Story: although the Story is the source of the unique setting of the Film, as well as the source of the Film's plot, events and principal character, Mr. Woolrich has not shared at all in the $7,880,000 received from exploitation of the Film in the first term of copyright or the more than $12 million received in the renewal term.

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[70] The same year that De Sylva Productions received the movie rights from Mr. Woolrich, Zechariah Chafee wrote that "no sane publisher will pay more than a small speculative price for the renewal term." Chafee, 45 Colum. L. Rev. 719, 723.

Petitioners have also exceeded the terms of Mr. Woolrich's grant by exploiting the Story in the videotape market, *see* above at 42, n.64, and went beyond *Rohauer* in attempting to sell a new "sequel" version of the Story for television. R. 95

In sum, the only similarity between the fair use defense and petitioners' massive and wholesale exploitation of the Story is that petitioners believe their "use" of the Story to reap millions of dollars of profits, without payment to the copyright's proprietor, seems "fair" to them.

III. CONCLUSION

The judgment of the Court of Appeals should be affirmed.

December 1989

Respectfully submitted,

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APPENDIX

Provisions of the Copyright Act of 1976

Section 102. Subject Matter of Copyright: In General

(a) Copyright protection subsists, in accordance with this title, in original works of authorship fixed in any tangible medium of expression, now known or later developed, from which they can be perceived, reproduced, or otherwise communicated, either directly or with the aid of a machine or device. Works of authorship include the following categories:

(1) literary works;

(2) musical works, including any accompanying words;

(3) dramatic works, including any accompanying music;

(4) pantomimes and choreographic works;

(5) pictorial, graphic, and sculptural works;

(6) motion pictures and other audiovisual works; and

(7) sound recordings.

(b) In no case does copyright protection for an original work of authorship extend to any idea, procedure, process, system, method of operation, concept, principle, or discovery, regardless of the form in which it is described, explained, illustrated, or embodied in such work.

Section 103. Subject Matter of Copyright: Compilations and Derivative Works

(a) The subject matter of copyright as specified by section 102 includes compilations and derivative works, but protection for a work employing preexisting material in which copyright subsists does not extend to any part of the work in which such material has been used unlawfully.

(b) The copyright in a compilation or derivative work extends only to the material contributed by the author of such work, as distinguished from the preexisting material employed in the work, and does not imply any exclusive right in the preexisting material. The copyright in such work is independent of, and does not affect or enlarge the scope, duration, ownership, or subsistence of, any copyright protection in the preexisting material.

Section 106. Exclusive Rights in Copyrighted Works

Subject to sections 107 through 118, the owner of copyright under this title has the exclusive rights to do and to authorize any of the following:

(1) to reproduce the copyrighted work in copies or phonorecords;

(2) to prepare derivative works based upon the copyrighted work;

(3) to distribute copies or phonorecords of the copyrighted work to the public by sale or other transfer of ownership, or by rental, lease, or lending;

(4) in the case of literary, musical, dramatic, and choreographic works, pantomimes, and motion pictures and other audiovisual works, to perform the copyrighted work publicly; and

(5) in the case of literary, musical, dramatic, and choreographic works, pantomimes, and pictorial, graphic, or sculptural works, including the individual images of a motion picture or other audiovisual work, to display the copyrighted work publicly.

Section 107. Limitations on Exclusive Rights: Fair Use

Notwithstanding the provisions of section 106, the fair use of a copyrighted work, including such use by reproduction in copies or phonorecords or by any other means specified by that section, for purposes such as criticism, comment, news reporting, teaching (including multiple copies for classroom use), scholarship, or research, is not an infringement of copyright. In determining whether the use made of a work in any particular case is a fair use the factors to be considered shall include –

(1) The purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes;

(2) the nature of the copyrighted work;

(3) the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and

(4) the effect of the use upon the potential market for or value of the copyrighted work.

The following reproduction of Section 304(a) of the Copyright Act of 1976 is marked with underlining to indicate the new language which did not appear in Section 24 of the Copyright Act of 1909, and with brackets surrounding the language which was deleted from Section 24.

304(a) Copyrights in their first term on January 1, 1978. Any copyright, the first term of which is subsisting on January 1, 1978 [The copyright secured by this title] shall endure for twenty-eight years from the date it was originally secured [of first publication, whether the copyrighted work bears the author's true name or is published anonymously or under an assumed name] *Provided,* That in the case of any posthumous work or of any periodical, cyclopedic, or other composite work upon which the copyright was originally secured by the proprietor thereof, or of any work copyrighted by a corporate body (otherwise than as assignee or licensee of the individual author) or by an employer for whom such work is made for hire, the proprietor of such copyright shall be entitled to a renewal and extension of the copyright in such work for the further term of forty-seven [twenty-eight] years when application for such renewal and extension shall have been made to the Copyright Office and duly registered therein within one year prior to the expiration of the original term of copyright: *And provided further,* That in the case of any other copyrighted work including a contribution by an individual author of such work, if still living, or the widow, widower, or children of the author, if the author be not living, or if such author, widow, widower, or children be not living, then the author's executors, or in the absence of a will, his or her

next of kin shall be entitled to a renewal and extension of the copyright in such work for a further term of forty-seven [twenty-eight] years when application for such renewal and extension shall have been made to the Copyright Office and duly registered therein within one year prior to the expiration of the original term of copyright: *And provided further,* That in default of the registration of such application for renewal and extension, the copyright in any work shall terminate at the expiration of twenty-eight years from the date copyright was originally secured [first publication].